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SINO PROSPER (GROUP) HOLDINGS LIMITED

中盈（集團）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 766)

CONNECTED TRANSACTION IN RELATION TO REDEMPTION OF CONVERTIBLE BONDS BY WAY OF ISSUANCE OF CONVERTIBLE PREFERENCE SHARES

REDEMPTION NOTICE AND CONVERTIBLE PREFERENCE SHARES

On 12 February 2018 (after trading hours), the Company has served and the Bondholder has accepted, the Redemption Notice in relation to the redemption of the Convertible Bonds in the principal amount of HK\$97,165,000 by way of issuance of 971,650,000 Convertible Preference Shares.

The Convertible Preference Shares may be converted into Shares. Assuming full conversion of the Convertible Preference Shares, an aggregate of 971,650,000 Conversion Shares will be issued. The Conversion Shares represent approximately 64.08% of the total number of Shares currently in issue and approximately 39.06% of the total number of issued Shares as enlarged by the issue of the Conversion Shares.

Completion of the Redemption is conditional on, among other things, (i) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Redemption and the transactions contemplated thereunder; and (ii) the Listing Committee granting the listing of, and permission to deal in, the Conversion Shares.

LISTING RULES IMPLICATIONS

The Bondholder is a substantial Shareholder holding approximately 26.28% of the total issued share capital of the Company and therefore is a connected person of the Company. The Redemption constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Bondholder has material interests in the Issuance, the Bondholder and its associates are required to abstain from voting on the relevant resolutions in relation to the Redemption and the transactions contemplated thereunder at the EGM.

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in relation to the Redemption and the transactions contemplated thereunder. An independent financial adviser will be appointed by the Company with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) details of the Redemption; (ii) the recommendation from the Independent Board Committee; (iii) the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 7 March 2018.

THE REDEMPTION NOTICE

On 12 February 2018 (after trading hours), the Company has served the Redemption Notice for its intention to redeem the whole of the outstanding principal amount of HK\$97,165,000 of the Convertible Bonds held by the Bondholder, in consideration of the issuance of 971,650,000 Convertible Preference Shares. On the same day, the Bondholder has accepted the Redemption Notice.

The Bondholder is a substantial Shareholder, the chairman of the Company and an executive Director holding approximately 26.28% of the total issued share capital of the Company and therefore is a connected person of the Company.

Subject to the fulfilment of the conditions precedent as mentioned below, the Convertible Bonds will be early redeemed by the Company by way of the issuance and allotment of 971,650,000 Convertible Preference Shares to the Bondholder.

CONVERTIBLE PREFERENCE SHARES

Issue Price

The Issue Price of HK\$0.10 per Convertible Preference Shares was arrived at arm's length negotiation between the Bondholder and the Company with reference to the prevailing market price of the Shares. The Issue Price represents:

- (i) a premium of approximately 13.6% to the closing price of HK\$0.088 per Share as quoted on the Stock Exchange on 12 February 2018, the date of the Redemption Notice;
- (ii) a premium of approximately 8.7% to the average closing price of HK\$0.092 per Share as quoted on the Stock Exchange for the last five trading days up to and including 9 February 2018, the last trading day immediately preceding the date of the Redemption Notice; and
- (iii) equal to the average closing price of HK\$0.100 per Share as quoted on the Stock Exchange for the last ten trading days up to and including 9 February 2018, the last trading day immediately preceding the date of the Redemption Notice.

Given the Issue Price was set with reference to the market price of the Shares, the Directors consider that the Issue Price is fair and reasonable under the present market conditions. The Directors are also of the view that the Issuance is in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Issuance is conditional upon the following conditions being fulfilled (or being waived by the Bondholder in writing) at or before the Long Stop Date:

- (i) the current listing of the Shares not having been cancelled or withdrawn, the Shares continuing to be traded on the Main Board of the Stock Exchange at all times from the date of the Redemption Notice to the completion of Issuance (save for any temporary suspension pending the publication of this announcement or such other period as the Bondholder may agree) and neither the Stock Exchange or the SFC having indicated that either one of them shall qualify, object to, cancel or withdraw such listing and/or dealings in the Shares for reasons related to or arising from the transactions contemplated thereunder;
- (ii) the passing of the necessary resolutions by the Independent Shareholders at the EGM approving the Redemption and the transactions contemplated thereunder, including the issue of the Convertible Preference Shares and Conversion Shares;
- (iii) the Listing Committee having granted the listing of and permission to deal in, all of the Conversion Shares to be issued upon conversion of the Convertible Preference Shares and such approval and granting of permission not having been withdrawn or revoked;

- (iv) the obtaining by all the relevant governmental or regulatory authorities or other third parties of necessary consents, approvals or waivers to effect the Redemption and the transactions contemplated therein;
- (v) the warranties contained in the Redemption Notice remaining true, accurate and not misleading in all material aspects;
- (vi) no breach of representation, warranty or undertaking by the Company under the Redemption Notice;
- (vii) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated under the Redemption Notice; and
- (viii) no statute, regulation, or decision which would prohibit or restrict the execution, delivery or performance of the Redemption Notice.

In the event that any of the conditions of the Issuance is not fulfilled (or being waived by the Bondholder) on or before the Long Stop Date, the Redemption Notice shall become null and void and cease to have any effect and none of the Company and the Bondholder shall have any claims against the other in respect of the Issuance save for liabilities for any antecedent breaches of the Redemption Notice.

Completion

Completion of the Issuance will take place on the seventh Business Day following the date on which the fulfillment of all the conditions of the Issuance, or as the case may be, waived by the Bondholder.

Principal terms

The principal terms of the Convertible Preference Shares are as follows:

- Issue and payment : Subject to the passing of the relevant resolution at the EGM, all the Convertible Preference Shares shall be issued on the issue date, credited as fully paid for the consideration.
- Dividend : The Convertible Preference Shares shall confer on the holders thereof the right to receive out of the funds of the Company available for distribution before the ordinary Shareholders.

- Return of capital : On a return of capital on liquidation or otherwise, the Convertible Preference Shares shall confer on the holder(s) the right to be paid, in priority to any return to assets in respect of any other class of shares in the capital of the Company, pari pasu as between themselves an amount equal to the aggregate Issue Price of the Convertible Preference Shares.
- Transferability : The Convertible Preference Shares shall be transferrable.
- Voting rights : Holder(s) of the Convertible Preference Shares shall not be entitled to vote at any general meeting of the Company, unless a resolution is to be proposed for winding up the Company or a resolution is to be proposed which if passed would vary the rights or privileges of the holder(s) of the Convertible Preference Shares.
- Conversion : The Convertible Preference Shares shall be convertible into Shares within 5 Business Days such holder serving the written notice to the Company at any time after issuance into one Conversion Share without the payment of any additional consideration.
- Such conversion by the Company shall be subject to the following conditions: (i) immediately after such conversion, the public float of the Shares remains above the minimum public float requirements stipulated under the Listing Rules; and (ii) to the extent that following such conversion, the relevant holder(s) of the Convertible Preference Shares and parties acting in concert with it, taken together, shall not directly or indirectly, control or be interested in 30% or more of the entire issue capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.
- Listing : The Convertible Preference Shares shall not be listed on any stock exchange. However, an application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

On the assumption that all of the Convertible Preferred Shares is converted into Shares, the Conversion Shares represents approximately 64.08% of the total number of Shares currently in issue, and approximately 39.06% of the total number of Shares in issue as enlarged by the issue of the Conversion Shares.

The Conversion Shares have an aggregate nominal value of approximately HK\$9,716,500 million and a market value of approximately HK\$85,505,200 million, based on the closing price of the Shares of HK\$0.088 as at the date of this announcement.

The Conversion Shares shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek a specific mandate from the Shareholders at the EGM for the allotment and issue of the Conversion Shares.

SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Issuance and assuming full conversion of the Convertible Preference Shares:

	As at the date of this announcement		Immediately after completion of the Issuance and assuming full conversion of the Convertible Preference Shares (Note)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Bondholder	398,536,002	26.28	1,370,186,002	55.08
Wong Li Fong	15,000	0.00	15,000	0.00
Public				
shareholders	1,117,669,197	73.72	1,117,669,197	44.92
Total	1,516,220,199	100.00	2,487,870,199	100.00

Note: This column is for illustration purpose only as the terms of the Convertible Preference Shares provides that no conversion shall take place if the relevant holder of Convertible Preference Share and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.

REASONS FOR THE REDEMPTION AND USE OF PROCEEDS

The Group is principally engaged in (i) the investment in energy and natural resources related projects; and (ii) the provision of loan financing, as well as investment and management consultation services.

Reference is made to the circular of the Company dated 24 September 2013 in relation to the Company's very substantial acquisition and connected transaction of the acquisition (the "Acquisition") of Treasure Join Limited involving the issue of promissory notes and convertible bonds to the Bondholder. The Acquisition was completed on 11 October 2013. The conversion price of the convertible bonds issued under the Acquisition is HK\$0.37 per conversion share. As at the date of this announcement, the outstanding principal amount of the Convertible Bonds is HK\$97,165,000 which are convertible into 270,608,108 conversion shares of the Company upon full conversion

The Directors consider that the Redemption and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, based on the following factors:

(i) Enhancing the Company's financial position

The Convertible Bonds will be due on 11 October 2018. According to the Company's interim report for the six months ended 30 September 2017, the Company recorded bank balances and cash of approximately HK\$26.5 million as at 30 September 2017. The existing cash level of cash will not be sufficient to repay the Convertible Bonds on the due date. Assuming that the Redemption does not take place, the Convertible Bonds shall be classified as current liabilities and the Company may adversely affect the net current assets position as at the coming financial year end at 31 March 2018. As such, it is considered necessary for the Company to redeem the Convertible Bonds before its maturity.

(ii) Improving the gearing ratio of the Company

Upon the Issuance, the Convertible Bonds in the amount of approximately HK\$97,165,000 will be derecognized as the liability of the Company and the Convertible Preference Shares will be recognized as equity of the Company which will reduce the gearing ratio, enlarge the capital base and increase the net current assets position of the Company

(iii) Enhancing the Company's capital base

The Issuance effectively capitalizes the amount due under the Convertible Bonds without creating an immediate dilution effect on the Shares. It is expected that the Issuance would enlarge the Company's capital base. Although conversion in full of the Convertible Preference Shares may have a considerable dilution effect on the shareholdings of the Shareholders, given that (i) the Redemption will have a positive effect on the financial position of the Group, (ii) the potential dilution effect is not immediate and (iii) the Issue Price is at a premium to the market price of the Shares on the date of this announcement, the Directors consider that the dilution effect is justifiable.

(iv) Facilitating the Group's business expansion

The Redemption enables the Company to be better positioned to seize market opportunities as they arise and reserve more cash for working capital and business expansion. Furthermore, as the Company's main source of revenue is generated from the interest income from loan financing activities, a high gearing ratio will result in limitation on business expansion.

In order to raise fund to meet its funding requirement for the repayment of Convertible Bonds, the Directors have considered alternative fund-raising possibilities including but not limited to debt financing from financial institutions and other equity fund-raising methods from securities firms. However, having considered, among other things, the size of the fund-raising, no positive feedback was received from the counter-parties. As such, the Board considers the Redemption is the most appropriate method to set-off the Convertible Bonds and is beneficial to the Company. The Directors are of the view that the Redemption will provide an opportunity to further strengthen the financial position and capital base of the Group. Hence, the Board considers that the Redemption is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

During the past twelve months immediately before the date of this announcement, the Company conducted the following equity fund raising activity:

Date of announcement	Event	Net proceeds	Use of proceeds
12 December 2017 and 20 December 2017	Top-up placing of shares	Approximately HK\$12.24 million	General working capital

Save as the aforesaid, the Company has not carried out other equity fund raising activities during the twelve months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

The Bondholder is a substantial Shareholder holding approximately 26.28% of the total issued share capital of the Company and therefore is a connected person of the Company. The Redemption constitutes a connected transaction and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the Bondholder has material interests in the Redemption, the Bondholder and its associates are required to abstain from voting on the relevant resolutions in relation to the Redemption and the transactions contemplated thereunder at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Redemption and the transactions contemplated thereunder. An independent financial adviser will be appointed by the Company with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, (i) details of the Redemption; (ii) the recommendation from the Independent Board Committee; (iii) the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the EGM, is expected to be despatched to the Shareholders on or before 7 March 2018.

TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder”	Mr. Leung Ngai Man, the chairman and an executive Director of the Company and the beneficial owner of 398,536,002 Shares as at the date of this announcement
“Business Day”	any day on which the Stock Exchange is open for securities dealings
“Company”	Sino Prosper (Group) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Shares”	new Shares to be issued upon conversion of the Convertible Preference Shares
“Convertible Bonds”	the convertible bonds due 11 October 2018 issued by the Company on 11 October 2013 to the Bondholder in the outstanding principal amount of HK\$97,165,000 which are convertible into 270,608,108 conversion shares of the Company upon full conversion
“Convertible Preference Shares”	971,650,000 non-redeemable and convertible preference shares to be issued to the Bondholder under the Redemption Notice

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Redemption and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of PRC
“Independent Board Committee”	the independent board committee established by the Company comprising all the three independent non-executive Directors to advise the Independent Shareholders in connection with the Redemption and the transactions contemplated thereunder in accordance with the Listing Rules
“Independent Shareholders”	the Shareholders other than the Bondholder and its associates who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Issuance”	the issuance of Convertible Preference Shares to the Bondholder pursuant to the Redemption Notice
“Issue Price”	the issue price of HK\$0.10 per Convertible Preference Share pursuant to the Redemption Notice
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	12 May 2018 (or such later date as the Bondholder may decide)
“PRC”	The People’s Republic of China
“Redemption”	the early redemption the whole of the outstanding principal amount of the Convertible Bonds in consideration of the Issuance
“Redemption Notice”	the redemption notice dated 12 February 2018 served by the Company to the Bondholder in relation to the Redemption

“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	the ordinary share(s) of HK\$0.01 in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Sino Prosper (Group) Holdings Limited
Leung Ngai Man
Chairman and Executive Director

Hong Kong, 12 February 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Leung Ngai Man and Ms. Wong Li Fong, and the independent non-executive Directors of the Company are Ms. Xuan Hong, Mr. Cai Wei Lun and Mr. Zhang Qingkui.